



Somerset Academy at Silver Palms  
**W/L # 0332**  
(A charter school under Somerset Academy, Inc.)

Homestead, Florida

Financial Statements and  
Independent Auditors' Report

June 30, 2020

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Somerset Academy at Silver Palms  
(A charter school under Somerset Academy, Inc.)  
W/L #0332

23255 SW 115 Ave  
Homestead, Florida 33032

2019-2020

BOARD OF DIRECTORS

Todd German, Treasurer and Board Chair, (Florida)  
Ana Diaz, Secretary, Director  
David Concepcion, Director  
Dr. Bernard Kimmel, Director  
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SCHOOL ADMINISTRATION

Kerri Ann Rodriguez, Principal

OTHER NON-VOTING CORPORATE OFFICERS

Bernardo Montero, President  
Suzette Ruiz, Vice-President

BOARD COUNSEL

Charles Gibson, Esq  
Eleni Pantaridis, Esq



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Somerset Academy at Silver Palms  
Homestead, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy at Silver Palms (the "School"), a charter school under Somerset Academy, Inc., as of, and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy at Silver Palms as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Somerset Academy at Silver Palms as of June 30, 2020, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Somerset Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Somerset Academy, Inc. as of June 30, 2020 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 30 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 14, 2020

**Management's Discussion and Analysis**  
Somerset Academy at Silver Palms  
(A Charter school Under Somerset Academy, Inc.)  
June 30, 2020

The corporate officers of Somerset Academy at Silver Palms have prepared this narrative overview and analysis of the school's financial activities for the year ended June 30, 2020.

**Financial Highlights**

1. The net position of the School at June 30, 2020 was \$3,957,284.
2. At year-end, the School had current assets on hand of \$2,500,101.
3. The School had an increase in its net position of \$440,752 for the year ended June 30, 2020.
4. The unassigned fund balance at year end was \$1,211,262.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2020 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

*Government-Wide Financial Statements*

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 9 - 10 of this report.

*Fund Financial Statements*

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

The Board of the School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 11 – 15 of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 16 - 29 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, the net position was \$3,957,284 at the close of the fiscal year. A summary of the School's net position as of June 30, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 303,708	\$ 338,013
Investments	1,600,000	1,710,000
Prepaid expenses and other current assets	263,547	169,390
Due from other agencies	235,062	151,078
Due from other divisions of Somerset Academy, Inc.	97,784	-
Due from other divisions of Somerset Academy, Inc., long term	1,058,116	580,981
Capital assets, net	<u>2,881,718</u>	<u>2,850,193</u>
<b>Total Assets</b>	<u>6,439,935</u>	<u>5,799,655</u>
<b>Deferred outflows of resources</b>	-	-
Salaries and wages payable	733,622	623,280
Accounts payable	193,886	69,283
Due to other divisions of Somerset Academy, Inc.	1,555,143	1,555,143
Tenant improvement payable	-	35,417
<b>Total Liabilities</b>	<u>2,482,651</u>	<u>2,283,123</u>
<b>Deferred inflows of resources</b>	-	-
<b>Net Position:</b>		
Net investment in capital assets and long-term receivable	2,384,691	1,634,633
Unrestricted	<u>1,572,593</u>	<u>1,881,899</u>
<b>Total Net Position</b>	<u>\$ 3,957,284</u>	<u>\$ 3,516,532</u>

At the end of both years, the School is able to report positive balances in its net position.

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Program Revenues		
Operating Grants and Contributions	\$ 1,232,062	\$ 944,362
Capital Grants and Contributions	1,425,095	1,067,162
Lunch Program fees	60,354	105,453
Charges for Services	242,338	270,923
General Revenues		
Local Sources(FTE and other non specific)	13,501,582	12,112,646
Other Revenues	157,252	280,597
<b>Total Revenues</b>	<u>\$ 16,618,683</u>	<u>\$ 14,781,143</u>
<b>EXPENSES</b>		
Component Unit Activities:		
Instruction	\$ 8,013,758	\$ 6,610,990
Student support services	284,722	156,890
Instructional staff training	5,094	5,361
Board	86,150	80,825
School administration	1,480,129	1,132,892
Facilities acquisition	139,540	117,447
Fiscal services	285,600	264,600
Food services	623,948	785,865
Central services	370,110	383,133
Operation of plant	4,495,012	4,413,475
Maintenance of plant	291,441	354,068
Administrative technology services	102,427	75,476
Community services	-	68,798
<b>Total Expenses</b>	<u>16,177,931</u>	<u>14,449,820</u>
Increase in Net Position	440,752	331,323
Net Position at Beginning of Year	<u>3,516,532</u>	<u>3,185,209</u>
Net Position at End of Year	<u>\$ 3,957,284</u>	<u>\$ 3,516,532</u>

The School's revenue and expenses increased by \$1,837,540 and \$1,728,111, respectively due to an increase in enrollment.

### **School Location and Lease of Facility**

The School leases two facilities. One facility is located at 23255 SW 115<sup>th</sup> Avenue, Homestead, FL 33032 and the other is located at 11455 SW 232 Street, Homestead, FL 33170.

### **Capital Improvement Requirements**

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

### **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



## **Governmental Funds**

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing needs. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature. At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$1,572,593. The fund balance unassigned and available for spending at the School's discretion is \$1,211,262. These funds will be available for the School's future ongoing operations.

## **Achievements**

In 2020, Somerset Academy Silver Palms completed its 14th year of operations serving 1,904 students. Previously the school earned a letter grade of "B" under the State of Florida Accountability Program. Due to the COVID-19 pandemic, the Florida Department of Education suspended state-mandated assessments for the 2020 school year. However, data from school-based internal assessments reflects that students made significant learning gains.

With a core philosophy combining high expectations for both students and teachers, Somerset Academy also stresses character development and self-esteem. The school provides its students with a rigorous curriculum, as well as an extra-curricular program of activities, including team sports and over 25 active school clubs including - Student Council, Guitar Club, Chorus Club, Art Club, Dance, Cheerleading, National Junior Honor Society, National Elementary Honor Society, Robotics Club, STEM Club, Safety Patrol, Future Educators of America, Future City, Math Club, Science Club, Thespians Club, Book Club, Arts and Crafts Club, Meditation Club, Games and Strategies, Social Studies Club, Yearbook Club, and Yoga Club. Somerset students have also competed in many athletic and academic competitions, including the Somerset Spelling Bee, the Future City Competition and several Robotics Competitions.

The facilities of Somerset Academy Silver Palms have also been recognized nationally for "Outstanding Elementary and Middle School Building Design" in *The American School and University Magazine*, a national publication on educational facilities.

As a member of the Somerset Academy network of high quality charter schools, Somerset Academy Silver Palms is fully accredited by AdvancED under the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS-CASI) division. As with all the schools within the network, Somerset Academy Silver Palms places high expectations for student learning and offers multiple opportunities for all students to acquire requisite knowledge, skills, and attitudes in a safe and nurturing environment. Key to achieving successful learning for all students is the school's implementation of research-based instructional strategies by a highly qualified instructional staff, and the use of innovative resources in a technology-rich setting.

## Capital Assets

The School's investment in capital assets as of June 30, 2020 amounts to \$2,881,718 (net of accumulated depreciation). This investment in capital assets includes building and improvements, furniture, fixtures, textbooks and computer equipment. As of June 30, 2020, the School had \$1,555,143 of long term liabilities relating to capital assets.

## Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Program Revenues			
State capital outlay funding	\$ 1,290,810	\$ 1,431,520	\$ 1,425,095
Federal sources	830,500	748,146	744,422
Lunch program	532,079	546,152	547,994
General Revenues			
FTE and other nonspecific revenues	14,291,157	13,487,862	13,501,582
Charges and other revenues	101,567	376,795	399,590
Total Revenues	<u>\$ 17,046,113</u>	<u>\$ 16,590,475</u>	<u>\$ 16,618,683</u>
<b>CURRENT EXPENDITURES</b>			
Component Unit Activities			
Instruction	\$ 8,300,641	\$ 7,838,212	\$ 7,789,694
Student support services	268,210	316,620	284,722
Instructional staff training	5,000	6,500	5,094
Board	91,575	87,400	85,700
School administration	1,308,395	1,491,156	1,478,233
Fiscal services	294,300	285,600	285,600
Food services	557,300	600,000	598,974
Central services	384,300	378,958	370,110
Operation of plant	4,560,082	4,469,690	4,444,805
Maintenance of plant	325,000	258,826	251,389
Administrative technology services	102,065	102,823	102,427
Total Current Expenditures	<u>\$ 16,196,868</u>	<u>\$ 15,835,785</u>	<u>\$ 15,696,748</u>

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year.

## Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC, 6340 Sunset Drive, Miami, Florida, 33143.

Somerset Academy at Silver Palms  
(A charter school under Somerset Academy, Inc.)

Statement of Net Position  
June 30, 2020

	Primary Government Governmental Activities
<b><u>Assets</u></b>	
Current assets:	
Cash	\$ 303,708
Investments	1,600,000
Prepaid expenses and other current assets	263,547
Due from other agencies	235,062
Due from other divisions of Somerset Academy, Inc.	97,784
Total Current Assets	2,500,101
Due from other divisions of Somerset Academy, Inc., long term	1,058,116
Capital assets, depreciable	4,444,061
Less: accumulated depreciation	(1,562,343)
	2,881,718
Total Assets	6,439,935
<b><u>Deferred Outflows of Resources</u></b>	-
<b><u>Liabilities</u></b>	
Current liabilities:	
Salaries and wages payable	733,622
Accounts payable	193,886
Total Current Liabilities	927,508
Due to other divisions of Somerset Academy, Inc.	1,555,143
Total Long-term Liabilities	2,482,651
<b><u>Deferred Inflows of Resources</u></b>	-
<b><u>Net Position</u></b>	
Net investment in capital assets and long-term receivable	2,384,691
Unrestricted	1,572,593
Total Net Position	\$ 3,957,284

The accompanying notes are an integral part of this financial statement.

Somerset Academy at Silver Palms  
(A charter school under Somerset Academy, Inc.)

Statement of Activities  
For the year ended June 30, 2020

Primary Government FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 8,013,758	\$ 242,338	\$ 744,422	\$ -	\$ (7,026,998)
Student support services	284,722	-	-	-	(284,722)
Instructional staff training	5,094	-	-	-	(5,094)
Board	86,150	-	-	-	(86,150)
School administration	1,480,129	-	-	-	(1,480,129)
Facilities acquisition	139,540	-	-	-	(139,540)
Fiscal services	285,600	-	-	-	(285,600)
Food services	623,948	60,354	487,640	-	(75,954)
Central services	370,110	-	-	-	(370,110)
Operation of plant	4,495,012	21,158	-	1,425,095	(3,048,759)
Maintenance of plant	291,441	-	-	-	(291,441)
Administrative technology services	102,427	-	-	-	(102,427)
<b>Total governmental activities</b>	<b>16,177,931</b>	<b>323,850</b>	<b>1,232,062</b>	<b>1,425,095</b>	<b>(13,196,924)</b>

General revenues:

FTE and other nonspecific revenues	13,501,582
Investment earnings and other revenue	136,094
	<u>13,637,676</u>
Change in net position	440,752
Net position, beginning	3,516,532
Net position, ending	<u>\$ 3,957,284</u>

The accompanying notes are an integral part of this financial statement.

Somerset Academy at Silver Palms  
(A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds  
June 30, 2020

	General Fund	Non-Major Governmental Fund	Capital Projects Fund	Total Governmental Funds
<b><u>Assets</u></b>				
Cash	\$ 303,708	\$ -	\$ -	\$ 303,708
Investments	1,600,000	-	-	1,600,000
Due from other agencies	56,970	47,596	130,496	235,062
Due from fund	178,092	-	-	178,092
Prepaid expenses	263,547	-	-	263,547
Due from other divisions of Somerset Academy, Inc.	97,784	-	-	97,784
Total Assets	<u>2,500,101</u>	<u>47,596</u>	<u>130,496</u>	<u>2,678,193</u>
<b><u>Deferred Outflows of Resources</u></b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Liabilities</u></b>				
Salaries and wages payable	733,622	-	-	733,622
Accounts payable	193,886	-	-	193,886
Due to fund	-	47,596	130,496	178,092
Total Liabilities	<u>927,508</u>	<u>47,596</u>	<u>130,496</u>	<u>1,105,600</u>
<b><u>Deferred Inflows of Resources</u></b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Fund Balance</u></b>				
Nonspendable, not in spendable form	361,331	-	-	361,331
Unassigned	1,211,262	-	-	1,211,262
	<u>1,572,593</u>	<u>-</u>	<u>-</u>	<u>1,572,593</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 2,500,101</u>	<u>\$ 47,596</u>	<u>\$ 130,496</u>	<u>\$ 2,678,193</u>

The accompanying notes are an integral part of this financial statement.

Somerset Academy at Silver Palms  
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
June 30, 2020

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Total Fund Balance - Governmental Funds \$ 1,572,593

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the fund.

Capital assets, depreciable	4,444,061	
Less: accumulated depreciation	<u>(1,562,343)</u>	2,881,718

Long term liabilities in governmental activities are not financial resources and therefore are not reported in the governmental funds. (1,555,143)

Long term receivables in governmental activities are not financial resources and therefore are not reported in the governmental funds. 1,058,116

Total Net Position - Governmental Activities \$ 3,957,284

The accompanying notes are an integral part of this financial statement.

Somerset Academy at Silver Palms  
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  
For the year ended June 30, 2020

	General Fund	Non-Major Governmental Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>				
State capital outlay funding	\$ -	\$ -	\$ 1,425,095	\$ 1,425,095
State passed through local	13,501,582	-	-	13,501,582
Federal sources	-	744,422	-	744,422
Lunch program	-	547,994	-	547,994
Charges for services and other revenue	399,590	-	-	399,590
Total Revenues	<u>13,901,172</u>	<u>1,292,416</u>	<u>1,425,095</u>	<u>16,618,683</u>
<b>Expenditures:</b>				
<b>Current</b>				
Instruction	7,092,792	696,902	-	7,789,694
Board	85,700	-	-	85,700
Student support services	237,202	47,520	-	284,722
Instructional staff training	5,094	-	-	5,094
School administration	1,478,233	-	-	1,478,233
Fiscal services	285,600	-	-	285,600
Food services	-	598,974	-	598,974
Central services	370,110	-	-	370,110
Operation of plant	3,019,710	-	1,425,095	4,444,805
Maintenance of plant	251,389	-	-	251,389
Administrative technology services	102,427	-	-	102,427
<b>Capital Outlay:</b>				
Other capital outlay	512,708	-	-	512,708
Total Expenditures	<u>13,440,965</u>	<u>1,343,396</u>	<u>1,425,095</u>	<u>16,209,456</u>
Excess (deficit) of revenues over expenditures	460,207	(50,980)	-	409,227
<b>Other financing sources (uses)</b>				
Transfers in (out)	(50,980)	50,980	-	-
Long term advances to other Divisions of Somerset	(683,116)	-	-	(683,116)
Net change in fund balance	(273,889)	-	-	(273,889)
Fund Balance at beginning of year	<u>1,846,482</u>	<u>-</u>	<u>-</u>	<u>1,846,482</u>
Fund Balance at end of year	<u>\$ 1,572,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,572,593</u>

The accompanying notes are an integral part of this financial statement.

Somerset Academy at Silver Palms  
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities  
For the year ended June 30, 2020

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Net Change in Fund Balance - Governmental Funds \$ (273,889)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differs from depreciation expense.

Capital outlay expenditures	512,708	
Depreciation expense	<u>(481,183)</u>	31,525

Increase in long term receivables is an expenditure in the governmental funds, but a decrease or collections of such receivables reduces long-term assets in the statement of net position. This is the amount by which increase in long-term receivables of \$683,116 differed from collections of \$0 in the current period.

683,116

Change in Net Position of Governmental Activities \$ 440,752

The accompanying notes are an integral part of this financial statement.



Somerset Academy at Silver Palms  
(A charter school under Somerset Academy, Inc.)

Statement of Net Position - Fiduciary Funds  
June 30, 2020

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	<u>Agency Funds School's Internal Fund</u>
<b><u>Assets</u></b>	
Cash	\$ 164,182
Total Assets	<u>164,182</u>
<b><u>Deferred Outflows of Resources</u></b>	<u>-</u>
<b><u>Liabilities</u></b>	
Due to students and clubs	164,182
Total Liabilities	<u>164,182</u>
<b><u>Deferred Inflows of Resources</u></b>	<u>-</u>
<b><u>Net Position</u></b>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

## **Note 1 – Summary of Significant Accounting Policies**

### Reporting Entity

Somerset Academy at Silver Palms (the "School"), is a charter school sponsored by the School Board of Miami-Dade County, Florida (the "District"). The School's charter is held by Somerset Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Somerset Academy, Inc., which is composed of six members and also governs other charter schools. The board of directors has determined that no component units exist that would require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Miami-Dade County, Florida. The current charter expires on June 30, 2032 and it can be renewed in accordance with law. A charter can also be terminated before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

The School is located in Miami, Florida for students from grades kindergarten through eighth and is funded by the District. These financial statements are for the year ended June 30, 2020, when average 1,894 students were enrolled for the school year.

### Basis of Presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Accordingly, the basic financial statements include both the government-wide and fund financial statements.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

**Note 1 – Summary of Significant Accounting Policies (continued)**

Government-wide and Fund Financial Statements

*Government – wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information about the School as a whole. Any internal interfund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary funds.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues, and other miscellaneous sources.

*Fund Financial Statements*

Fund financial statements are provided for governmental and fiduciary funds, even though the fiduciary funds are not included in the government-wide financial statements. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. The School reports the following major governmental funds with all non-major funds aggregated in a single column:

*General Fund* - is the School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

*Capital Projects Fund* – accounts for state and local capital outlay as authorized by Charter School Capital Outlay, Section 1013.62, Florida Statutes mainly for capital outlay and maintenance purposes.

Additionally, the School reports separately the following fiduciary fund types:

*Agency Fund* – School's internal funds accounts for resources of the school's Internal Fund which is used to administer monies collected at the schools in connection with school, student activities, class, and club activities.

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*.

### **Note 1 – Summary of Significant Accounting Policies (continued)**

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met.

Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. “Measurable” means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

#### Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

#### Prepaid Expenses

Other assets consist mainly of prepaid expenses which are payments for goods or services that have not been consumed or used at year end. The expenditure will be recorded when the asset is used. Accordingly, prepaid expenses are equally offset by a nonspendable fund balance classification

**Note 1 – Summary of Significant Accounting Policies (continued)**

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/savings accounts. The School has not adopted a formal deposit and investment policy that limits the School's allowable deposits or investments and address specific types of risk; however the School invests excess deposit funds in a government money market mutual fund. The School has adopted GASB Codification Section 3100 *Fair Value Measurement and Application* (Note 3).

Inter-fund Transfers

Inter-fund receivables/payables (“due from/to”) are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Building and Improvements	10-20 Years
Furniture, Equipment and Software	3-5 Years

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a “benefit year”). In the event that available time is not used by the end of the benefit year, employees may “rollover” all unused days for use in future benefit years. Employees may to “cash out” unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

**Note 1 – Summary of Significant Accounting Policies (continued)**

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for sick days available to be used in future benefits years. The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Revenue Sources

Revenues for current operations are received primarily from the State through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities. In addition, the School may receive a portion of the local capital improvement ad valorem tax revenues levied by the District.

Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

**Note 1 – Summary of Significant Accounting Policies (continued)**

Net Position and Fund balance classifications

*Government-wide financial statements*

Equity is classified as net position and displayed in three (3) components:

- a) Net investment in capital assets and long-term receivable - consists of capital assets net of accumulated depreciation and long-term receivable, reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of balances with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- c) Unrestricted net position - all other balances that do not meet the definition of "restricted" or "Net investment in capital assets and long-term receivable."

When both restricted and unrestricted resources are available for a specific purpose, it is the School's policy to use restricted resources first, until exhausted, before using unrestricted resources.

*Fund financial statements*

Under GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

- a) Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories and prepaid expenses.
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

**Note 1 – Summary of Significant Accounting Policies (continued)**

Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Income Taxes

Somerset Academy, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 14, 2020, which is the date the financial statements were available to be issued.

**Note 2 – Capital Assets**

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the period ended June 30, 2020:

	Balance 07/01/19	Additions	Reclassifications / Retirements	Balance 06/30/20
Capital Assets:				
Buildings and improvements	\$ 2,736,911	\$ 373,959	\$ (53,945)	\$ 3,056,925
Furniture, equipment and fixtures	2,561,939	92,618	(1,299,555)	1,355,002
Computer software	54,708	46,131	(68,705)	32,134
	<u>5,353,558</u>	<u>512,708</u>	<u>(1,422,205)</u>	<u>4,444,061</u>
Less Accumulated Depreciation:				
Buildings and improvements	(537,050)	(222,875)	53,945	(705,980)
Furniture, equipment and fixtures	(1,914,819)	(237,343)	1,299,555	(852,607)
Computer software	(51,496)	(20,965)	68,705	(3,756)
Total Accumulated Depreciation	<u>(2,503,365)</u>	<u>(481,183)</u>	<u>1,422,205</u>	<u>(1,562,343)</u>
Capital Assets, net	<u>\$ 2,850,193</u>	<u>\$ 31,525</u>	<u>\$ -</u>	<u>\$ 2,881,718</u>



**Note 2 – Capital Assets (continued)**

For the fiscal year ended June 30, 2020, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$ 224,064
Board	450
School administration	1,896
Facilities acquisition	139,540
Food service	24,974
Operation of plant	50,207
Maintenance of plant	40,052
Total Depreciation Expense	<u>\$ 481,183</u>

**Note 3 – Cash, Cash Equivalents and Investments**

Deposits

The School maintains its cash and cash equivalents in two financial institutions. As of June 30, 2020, the School's deposits consisted of cash balances of \$303,021.

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Somerset Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Somerset Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2020, bank balances in potential excess of FDIC coverage was approximately \$500,545; including fiduciary account bank balances.

Investments

The School categorizes its fair value measurements within the fair value hierarchy established by GASB Codification Section 3100 *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

At June 30, 2020, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$2,280,000 valued using Level 2 inputs.

**Note 3 – Cash, Cash Equivalents and Investments (continued)**

The government money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of June 30, 2020, maturities of the fund's portfolio holdings are approximately 63% within 30 days.

Credit Risk

*Concentration of credit risk* is the risk of loss attributed to the magnitude of investments in a single issuer. The School manages its exposure to credit risk by limiting investments to highly rated government money market mutual funds. The fund is rated Aaa-mf by Moody's.

*Custodial credit risk* is the risk that in the event of a failure of a depository financial institution or counterparty (Regions Bank) that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2020, all of the School's investments in government money market mutual funds were held in a separate account and designated as assets of the School.

*Interest rate risk* is the risk that changes in interest rate will adversely affect the fair value of an investment. The School manages its exposure to declines in fair values by limiting all investments to government money market mutual funds that can be redeemed daily.

**Note 4 – Education Services and Support Provider Agreement**

Academica Dade, LLC, a professional education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting and virtual education services. The agreement calls for a fee on a per student basis. The agreement is with Somerset Academy, Inc. for a period of five years, through June 30, 2021, and unless terminated by the board shall be renewed along with any renewals to the charter agreement.

During the year ended June 30, 2020, the School incurred approximately \$856,800 in fees.

Academica Dade, LLC is located at 6340 Sunset Drive, Miami, Florida 33143.

Somerset Academy at Silver Palms  
(A charter school under Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2020

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**Note 5 – Transactions with other divisions of Somerset Academy, Inc.**

The School’s administrative staff and lunch program is shared with various schools. Revenues and expenses related to such program have been allocated based on FTE equivalent for purposes of presentation in the financial statements. Management allocates a proportionate share of salaries, lunch receipts, food and supplies, and other expenses to each school individually based on student enrollment and usage of facilities and staff. As of June 30, 2020, there is approximately \$97,800 due from Somerset Academy Charter High School in connection with shared expenses.

The following summarizes long term payable activity during the year:

	Balance 07/01/19	Additions	Deletions	Balance 06/30/20
Somerset Academy Silver Palms at Princeton	\$ 1,555,143	\$ -	\$ -	\$1,555,143
Total Long Term Payables	<u>\$ 1,555,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,555,143</u>

The School also has a long-term receivable from other divisions of Somerset Academy, Inc.. The following summarizes the activity during the year.

	Balance 07/01/19	Additions	Deletions	Balance 06/30/20
Somerset Academy Charter High	\$ 375,000	\$ 183,116	\$ -	\$ 558,116
Somerset Academy, Inc.	-	500,000	-	500,000
Total Long Term Receivables	<u>\$ 375,000</u>	<u>\$ 683,116</u>	<u>\$ -</u>	<u>\$1,058,116</u>

Somerset Academy, Inc. (the “Corporation”) charges an assessment to all of its affiliated schools for shared corporate costs and accreditation expenses. During 2020, the School paid \$285,600 to the Corporation for these shared costs.

**Note 6 – Interfund Transfers**

Interfund transfers in governmental funds as of June 30, 2020, consist of the following:

	General Fund	Special Revenue Fund (non major)	Capital Projects Fund (non major)
To fund lunch deficit/surplus	\$ 5,864	\$ (5,864)	\$ -
Total Transfers, net	<u>\$ 5,864</u>	<u>\$ (5,864)</u>	<u>\$ -</u>

Due from/due to fund balances are as follows:

	General Fund	Special Revenue Fund (non major)	Capital Projects Fund (non major)
Due to General Fund from Capital Projects Fund for capital outlay	\$ 32,990	\$ -	\$ (32,990)
Total Due from/(Due to)	<u>\$ 32,990</u>	<u>\$ -</u>	<u>\$ (32,990)</u>

**Note 7 – Commitments, Contingencies and Concentrations**

The School entered into a lease and security agreement with Southwestern Grant, LLC (the “Landlord”) for this 70,685 square foot building including all ancillary facilities, outdoor areas and other improvements. The Landlord is an affiliate of the School’s educational service provider (See Note 4). Initial fixed annual payments under this agreement was amended during in 2016 are approximately \$1,565,994 adjusted annually based on the Consumer Price Index (“CPI”) plus additional property costs including repairs, maintenance and insurance. The agreement continues through June 30, 2036 with an option to renew for two additional five-year term. Under the agreement, the School must meet certain covenants and requirements, including a “Lease Payment Coverage Ratio” of not less than 1.10 to 1.00.

**Note 7 – Commitments, Contingencies and Concentrations (continued)**

Future minimum payments under the lease are as follows:

<u>Year</u>	<u>Southwestern Grant LLC</u>
2021	\$1,635,100
2022	\$1,635,100
2023	\$1,635,100
2024	\$1,635,100
2025	\$1,635,100
2026-2030	\$8,175,500 (total for five year period)
2031-2035	\$8,175,500 (total for five year period)
2036	\$1,635,100

The School entered into a second lease and security agreement Southwestern Grant II, LLC (Phase II). This lease includes a 62,758 square feet building including all ancillary facilities, outdoor areas and other improvements. The Landlord is an affiliate of the School's education services and support provider. (See Note 4). Initial fixed annual payments under this agreement are approximately \$1,272,400 adjusted annually based on the Consumer Price Index (CPI) plus additional property costs including repairs, maintenance and insurance. The agreement continues through July 31, 2036 with an option to renew for two additional periods of five (5) years each. Under the agreement, the School must meet certain covenants and requirements, including a "Lease Payment Coverage Ratio" of not less than 1.10 to 1.00.

Future minimum payments for the full lease are as follows:

<u>Year</u>	<u>Southwestern Grant LLC Phase II</u>
2021	\$1,328,500
2022	\$1,328,500
2023	\$1,328,500
2024	\$1,328,500
2025	\$1,328,500
2026-2030	\$6,642,500 (total for five year period)
2031-2035	\$6,642,500 (total for five year period)
2036	\$1,328,500

For 2020, rent expense for all leases was \$2,970,136.

**Note 7 – Commitments, Contingencies and Concentrations (continued)**

Contingencies

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 2% of the qualifying revenues of the School. For the year ended June 30, 2020, administrative fees withheld by the School District totaled \$35,172.

The ongoing spread of the new COVID-19 had become a threat to the global economy and financial markets. As a result of the pandemic, the School will begin the 2020-2021 school year under distance learning. The ultimate effect of Covid-19 on the School and its future operations cannot presently be determined.

**Note 8 – Risk Management**

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past years. In addition, there were no reductions in insurance coverage from those in the prior year.

The School has entered into a strategic relationship with ADP TotalSource, Inc., a human resource management firm, typically known as “Professional Employer Organization” (PEO). Under a co-employment agreements, the PEO is the employer of record and is responsible for administering payroll, payroll taxes, provide employee benefits and assist with human resources and risk management. Accordingly, certain human resource related risks are transferred to the PEO. Nevertheless, the School may be subject to risks, including loss, penalties and fines related to employment practices, administrative error and omissions.

**Note 9 – Defined Contribution Retirement Plan**

Post-retirement Benefits

The School's personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School approved a match of 100% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan \$226,564 for the year ended June 30, 2020. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by Voya.

REQUIRED SUPPLEMENTARY INFORMATION



Somerset Academy at Silver Palms  
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2020

	General Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
State passed through local	\$ 14,291,157	\$ 13,487,862	\$ 13,501,582
Charges and other revenue	101,567	376,795	399,590
Total Revenues	<u>14,392,724</u>	<u>13,864,657</u>	<u>13,901,172</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	7,527,441	7,135,066	7,092,792
Student support services	206,211	268,620	237,202
Instructional Staff Training	5,000	6,500	5,094
Board	91,575	87,400	85,700
School Administration	1,308,395	1,491,156	1,478,233
Fiscal Services	294,300	285,600	285,600
Central Services	384,300	378,958	370,110
Operation of Plant	3,269,272	3,038,170	3,019,710
Maintenance of Plant	325,000	258,826	251,389
Administrative technology services	102,065	102,823	102,427
Total Current Expenditures	<u>13,513,559</u>	<u>13,053,119</u>	<u>12,928,257</u>
Excess of Revenues Over Current Expenditures	<u>879,165</u>	<u>811,538</u>	<u>972,915</u>
Capital Outlay	<u>512,000</u>	<u>512,000</u>	<u>512,708</u>
Total Expenditures	<u>14,025,559</u>	<u>13,565,119</u>	<u>13,440,965</u>
Excess (deficit) of Revenues Over Expenditures	367,165	299,538	460,207
Other financing sources (uses):			
Other financing sources (uses)	-	-	-
Transfers in (out)	(29,920)	(56,848)	(50,980)
Long term advances to other Divisions of Somerset	<u>-</u>	<u>(685,000)</u>	<u>(683,116)</u>
Net change in fund balance	337,245	(442,310)	(273,889)
Fund Balance at beginning of year	<u>1,846,482</u>	<u>1,846,482</u>	<u>1,846,482</u>
Fund Balance at end of year	<u>\$ 2,183,727</u>	<u>\$ 1,404,172</u>	<u>\$ 1,572,593</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

Somerset Academy at Silver Palms  
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2020

	Capital Projects Funds		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
State capital outlay funding	\$ 1,290,810	\$ 1,431,520	\$ 1,425,095
Total Revenues	1,290,810	1,431,520	1,425,095
<b>EXPENDITURES</b>			
Current:			
Operation of Plant	\$ 1,290,810	\$ 1,431,520	1,425,095
Total Current Expenditures	1,290,810	1,431,520	1,425,095
Excess of Revenues Over Current Expenditures	-	-	-
Other financing sources (uses) Transfers in (out)			-
Net change in fund balance	-	-	-
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	\$ -	\$ -	\$ -

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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Board of Directors of  
Somerset Academy at Silver Palms  
Homestead, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy at Silver Palms (the "School") as of, and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We issued a separate management letter dated September 14, 2020 pursuant to Chapter 10.850, Rules of the Auditor General.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 14, 2020



## MANAGEMENT LETTER

To the Board of Directors of  
Somerset Academy at Silver Palms  
Homestead, Florida

### **Report on the Financial Statements**

We have audited the financial statements of Somerset Academy at Silver Palms, Homestead, Florida, as of and for the year ended June 30, 2020 and have issued our report thereon dated September 14, 2020.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

### **Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated September 14, 2020, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

See section below for current status of findings and recommendations made in the preceding audit report.

### **Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of education of the entity is Somerset Academy at Silver Palms, 0332.

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## **Financial Condition and Management**

Sections 10.854(1)(e)2 and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Somerset Academy at Silver Palms has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that Somerset Academy at Silver Palms did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for Somerset Academy at Silver Palms. It is management's responsibility to monitor Somerset Academy at Silver Palms's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendation to improve financial management. In connection with our audit, we did not have any such recommendations.

## **Transparency**

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to report the results of our determination as to whether Somerset Academy at Silver Palms maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Somerset Academy at Silver Palms maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

## **Additional Matters**

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

## **Status of Prior Year Recommendations:**

### **ML – 19-01 Capital Assets**

**Recommendation:** We recommend that the School perform an annual inventory of all capital assets and reconcile to the capital asset ledgers recorded on the School's books.

**Status:** The School has adopted revised financial policies and procedures regarding capital assets to include a formal process of reconciling the capital asset inventory report to the School's trial balance.

**ML – 19-02 PRE-KINDERGARTEN PROGRAM**

**Recommendation:** We recommend that the School establish policies and procedures for the pre-kindergarten program to ensure timely and accurate recognition of revenues and expenses.

**Status:** During the fiscal year, the School implemented procedures to record revenues and expenses related to the pre-kindergarten program and reconciled the account monthly.

**ML – 19-03 INTERNAL ACCOUNT DEPOSITS**

**Recommendation:** We recommend that the School adheres to its internal control policies and procedures relating to the internal account so that all deposits and cash receipts are properly counted, reviewed, and reconciled to the amount deposited in the bank account.

**Status:** Based on our internal account testing, we noted that the School implemented its internal control policies related to monthly posting and reconciliation of deposits and cash receipts.

**ML – 19-04 INTERNAL ACCOUNT MONTHLY CLOSING PROCEDURES**

**Recommendation:** We recommend that the School adheres to its internal control policies and procedures relating to the internal account closing procedures so that all deposits and cash receipts are properly counted, reviewed, and reconciled to the amount deposited in the bank account.

**Status:** Based on our internal account testing, we noted that the School implemented its internal control policies related to monthly closing and reconciliation of deposits and cash receipts

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, School Board of Miami-Dade County, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 14, 2020